

Message Text

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PAGE 01 MANILA 14602 01 OF 02 161020Z

10

ACTION TRSE-00

INFO OCT-01 EA-07 ISO-00 IO-10 NEA-10 L-03 H-02 PA-01

PRS-01 SP-02 AID-05 EB-07 NSC-05 CIEP-01 SS-15 STR-04

OMB-01 CEA-01 CIAE-00 COME-00 FRB-03 INR-07 NSAE-00

USIA-06 XMB-02 OPIC-03 LAB-04 SIL-01 /102 W

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P 160857Z OCT 75

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 8579

LIMITED OFFICIAL USE SECTION 1 OF 2 MANILA 14602

USADB

PASS TREASURY FOR ZINMAN

E.O. 11652: ADS, DECLAS 12/31/75

TAGS: EAID, EFIN

SUBJECT: ADF REPLENISHMENT

REF: (A) TREASURY 75-150; (B) TREASURY 75-168;

(C) MANILA 14399

1. FOLLOWING IS SECOND COLUMN TABLE ATTACHED TO DRAFT
RESOLUTION OF GOVERNORS REPORTED REF C:

MEMBER	AMOUNT IN NATIONAL CURRENCY
AUSTRALIA	A\$ 30,730,586
AUSTRIA	S 113,974,200
BELGIUM	BFR 253,036,250
CANADA	C\$ 43,663,520
DENMARK	DKR 35,904,000
FINLAND	FMK 20,595,800
FRANCE	FF 169,633,496

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PAGE 02 MANILA 14602 01 OF 02 161020Z

GERMANY DM 123,439,977

ITALY	LIT	19,426,330,000
JAPAN	Y	78,935,419,000
NETHERLANDS	F	30,889,050
NEW ZEALAND	NZ\$	7,038,478
NORWAY	NKR	29,981,500
SWEDEN	SKR	41,766,120
SWITZERLAND	SWF	21,082,000
UNITED KINGDOM	L	18,905,778
UNITED STATES	US\$	231,000,000

2. FIRST FOUR PARAGRAPHS OF DRAFT REPORT OF DIRECTORS
GIVE HISTORICAL DEVELOPMENT AND DESCRIBE HOW \$830 MILLION
FIGURE WAS ESTABLISHED. PARAS. 5 TO 12 ARE QUOTED BELOW:
QUOTE

5. ONE OF THE PRINCIPLES GOVERNING THE ASIAN DEVELOPMENT
FUND, AS LAID DOWN BY THE BOARD OF GOVERNORS IN 1973 AND
SUBSEQUENTLY INCORPORATED IN THE ADF REGULATIONS, IS THAT
CONTRIBUTIONS TO THE FUND SHOULD BE AUTHORIZED BY THE
BOARD OF GOVERNORS. THE ATTACHED RESOLUTION, IF ADOPTED,
WOULD CONSTITUTE THE REQUISITE AUTHORIZATION IN THE CASE
OF THE REPLENISHMENT. SPECIFIC ATTENTION MAY BE DRAWN TO
TWO OTHER PRINCIPLES WHICH ARE ALSO REFLECTED IN THE
REGULATIONS, AND WHICH WILL ACCORDINGLY APPLY TO THE
BANK'S ADMINISTRATION AND USE OF THE CONTRIBUTIONS NOW
BEING SOUGHT. ONE IS THAT, SUBJECT TO THE PROVISIONS
OF THE REGULATIONS, THE RESOURCES WILL BE FREELY
AVAILABLE TO FINANCE LOANS TO THE LESS DEVELOPED OF THE
BANK'S DEVELOPING MEMBER COUNTRIES, IN ACCORDANCE WITH
LENDING POLICIES AND PROCEDURES DETERMINED BY THE BANK'S
BOARD OF DIRECTORS. THE OTHER IS THAT SUCH RESOURCES
MAY BE USED TO FINANCE PROCUREMENT FROM ALL DEVELOPING
MEMBER COUNTRIES, AND FROM THOSE DEVELOPED MEMBER
COUNTRIES WHICH HAVE MADE CONTRIBUTIONS AVAILABLE ON
A RECIPROCALLY UNTIED BASIS.

6. THE RESOLUTION WOULD NOT IN ITSELF OBLIGATE ANY
DEVELOPED MEMBER TO MAKE A CONTRIBUTION TO THE FUND.
SUCH AN OBLIGATION WILL ONLY ARISE IF AND WHEN THE
MEMBER TAKES THE STEP OF DEPOSITING WITH THE BANK AN
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PAGE 03 MANILA 14602 01 OF 02 161020Z

APPROPRIATE INSTRUMENT WHEREBY THE MEMBER UNDERTAKES TO
CONTRIBUTE THE AMOUNT IN ITS NATIONAL CURRENCY CON-
TEMPLATED BY THE RESOLUTION. THE BANK CAN ACCEPT AN
INSTRUMENT COMMITTING AN AMOUNT LARGER, BUT NOT SMALLER,
THAN THAT SPECIFIED IN THE TABLE. THE DRAFT RESOLUTION
SPECIFIES THE DATE OF 30 JUNE 1976 AS THE LATEST DATE
FOR DEPOSIT OF INSTRUMENTS; BUT THE BOARD OF DIRECTORS
WOULD BE EMPOWERED TO EXTEND THIS DATE, AND IT IS

ALREADY CLEAR, IN THE CASE OF ONE MAJOR POTENTIAL DONOR, THAT SUCH AN EXTENSION WILL BE NECESSARY, HOWEVER, BECAUSE THERE IS LIKELY TO BE AN ACUTE SHORTAGE OF RESOURCES AVAILABLE TO THE BANK IN 1976 PENDING THE COMING INTO OPERATION OF THE REPLENISHMENT, IT IS ESSENTIAL THAT AS MANY INSTRUMENTS AS POSSIBLE BE DEPOSITED AND COMMITMENTS THEREUNDER BECOME EFFECTIVE BY THE TARGET DATE SPECIFIED.

7. ONCE ITS INSTRUMENT HAS BECOME EFFECTIVE, THE MEMBER WILL BE OBLIGATED TO PAY ITS CONTRIBUTION IN THREEE EQUAL INSTALMENTS, AT ANNUAL INTERVALS. SUCH PAYMENTS MAY BE MADE IN CASH, OR IN DEMAND NOTES WHICH WILL BE ENCASHED BY THE BANK AS NEEDED TO MEET DISBURSEMENT REQUESTS FROM BORROWERS. NORMALLY, THE FIRST INSTALMENT SHOULD BE PAID WITHIN TWO MONTHS AFTER THE INSTRUMENT BECOMES EFFECTIVE. SINCE SOME CONTRIBUTORS HAVE INDICATED THAT, FOR BEDGETARY REASONS, THEY WILL HAVE DIFFICULTY IN MEETING THIS DEADLINE, PROVISION HAS BEEN INCLUDED IN HE DRAFT RESOLUTION FOR POSTPONEMENT OF THE PAYMENT IN SUCH CASES (THOUGH WITHOUT PREJUDICE TO THE COMMITMENT TO PAY) BY UP TO SIX MONTHS.

8. IT HAS BEEN FOUND NECESSARY TO INCLUDE IN THE REPLENISHMENT ARRANGEMENTS A PROVISION WHICH WOULD ALLOW A CONTRIBUTOR, IN SPECIAL CASES, TO QUALIFY THE OBLIGATION TO MAKE PAYMENT ITSELF AS BEING SUBJECT TO ANNUAL LEGISLATIVE APPROPRIATION. SUCH A QUALIFICATION CAN BE CONSIDERED, IN PRINCIPLE, TO BE CONSISTENT WITH THE BASIC CONCEPT OF A MULTI-YEAR REPLENISHMENT, THOUGH IT NEED NOT NECESSARILY PROVE TO BE SO IN PRACTICE. THE PROVISION HAS THEREFORE LIMITED OFFICIAL USE

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PAGE 04 MANILA 14602 01 OF 02 161020Z

BEEN INCLUDED WITH CONSIDERABLE RESERVATIONS, AND IN RECOGNITION OF CERTAIN SPECIAL INTERNAL CONSTRAINTS EMPHASIZED BY TWO MAJOR CONTRIBUTORS. THE BOARD OF DIRECTORS IS OF THE VIEW THAT THIS ISSUE WILL NEED TO BE REVIEWED FURTHER WITH THE CONTRIBUTORS CONCERNED IN THE CONTEXT OF FUTURE REPLENISHMENTS.

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PAGE 01 MANILA 14602 02 OF 02 161027Z

14

ACTION TRSE-00

INFO OCT-01 ISO-00 EA-07 NEA-10 IO-10 L-03 H-02 PA-01

PRS-01 SP-02 AID-05 EB-07 NSC-05 CIEP-01 SS-15 STR-04

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P 160857Z OCT 75

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TO SECSTATE WASHDC PRIORITY 8580

LIMITED OFFICIAL USE SECTION 2 OF 2 MANILA 14602

9. THE RESOLUTION REQUIRES THAT A CERTAIN MINIMUM AGGREGATE AMOUNT BE REACHED, IN TERMS OF CONTRIBUTION COMMITMENTS, BEFORE ANY INSTRUMENT BECOMES EFFECTIVE. SUCH A PROVISION, WHICH IS DESIGNED TO ENSURE THAT AN ADEQUATE DEGREE OF MULTILATERALITY IS ACHIEVED BEFORE ANY CONTRIBUTOR IS UNCONDITIONALLY COMMITTED TO PAY, IS A USUAL FEATURE OF MULTILATERAL RESOURCE MOBILIZATION ARRANGEMENTS. IN THIS CASE, HOWEVER, THE FACT THAT SOME CONTRIBUTORS MAY QUALIFY THEIR OBLIGATION TO PAY IN THE MANNER DESCRIBED IN THE PRECEDING PARAGRAPH HAS LED TO THE INCLUSION IN THE REPLENISHMENT SCHEME OF ADDITIONAL QUOTE TRIGGER FIGURES UNQUOTE, IN TERMS OF CONTRIBUTION PAYMENTS. THE EFFECT IS TO MAKE THE OBLIGATION OF ALL CONTRIBUTORS TO PAY THEIR SECOND AND THIRDS INSTALMENTS CONDITIONAL UPON SUBSTANTIAL AMOUNTS OF EARLIER INSTALMENTS HAVING BEEN PAID. THE SPECIFIC FIGURES INCORPORATED IN THE DRAFT RESOLUTION ALLOW SOME FLEXIBILITY, GIVEN THE FACT THAT ALL POTENTIAL DONORS ARE NOT A PRESENT IN A POSITION TO MOVE AHEAD TOGETHER. WHETHER THIS FLEXIBILITY WILL BE SUFFICIENT CAN ONLY BE DETERMINED IN THE COURSE OF IMPLEMENTING THE REPLENISHMENT ARRANGEMENTS.

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PAGE 02 MANILA 14602 02 OF 02 161027Z

MENTS.

10. THE BOARD OF DIRECTORS HAS BEEN ADVISED THAT, AT

THE BRUSSELS MEETING, MOST OF THE REPRESENTATIVES OF DEVELOPED MEMBER COUNTRIES ATTENDING THE MEETING INDICATED THE INTENTION OF THEIR GOVERNMENTS, SUBJECT TO NECESSARY LEGISLATIVE APPROVALS BEING OBTAINED, TO MAKE CONTRIBUTIONS IN ACCORDANCE WITH THE ARRANGEMENTS OUTLINED ABOVE. SOME OTHER REPRESENTATIVES, HOWEVER, WERE NOT ABLE TO GIVE A FINAL INDICATION OF THEIR GOVERNMENTS' POSITION, PENDING FURTHER INTERNAL CONSULTATIONS. ACCORDINGLY, PROVISION HAS BEEN MADE IN THE DRAFT RESOLUTION FOR ADJUSTMENT TO BE MADE AT THE NINTH ANNUAL MEETING OF THE BOARD OF GOVERNORS, AT THE REQUEST OF A CONCERNED CONTRIBUTOR, IN THE TABLE OF CONTRIBUTIONS ATTACHED TO THE RESOLUTION. SINCE IT IS UNDERSTOOD THAT ANY SIGNIFICANT REDUCTION IN THE AMOUNT ALLOCATED TO A MAJOR CONTRIBUTOR COULD LEAD TO A REVIEW BY ONE OR MORE OTHER CONTRIBURORS OF THE ALLOCATIONS PREVIOUSLY ACCEPTED BY THEM, IT IS TO BE HOPED THAT THE MEMBERS CONCERNED WILL CONTINUE TO GIVE THE FULLEST POSSIBLE RECOGNITION TO THE NEEDS OF THE ASIAN DEVELOPMENT FUND AND THE IMPORTANCE OF THE BANK'S CONCESSIONAL LENDING OPERATIONS. AT THE SAME TIME, THERE IS REASON TO EXPECT THAT NOT ALL ADJUSTMENTS WILL NECESSARILY BE DOWNWARDS.

11. THE BOARD OF DIRECTORS HAS CAREFULLY REVIEWED THE REPLENISHMENT ARRANGEMENTS DESCRIBED ABOVE AND INCORPORATED IN THE DRAFT RESOLUTION. IT CONSIDERS THAT, IN THE DIFFUCULT CIRCUMSTANCES NOW PREVAILING IN MANY DONOR COUNTRIES, THESE ARRANGEMENTS ARE REASONABLE AND CAN BE ACCEPTED BY THE BANK. THE BAORD OF DIRECTORS ACCORDINGLY RECOMMENDS THE ADOPTION BY THE BOARD OF GOVERNORS OF A RESOLUTION IN TERMS OF THE DRAFT ATTACHED. THIS ACTION BY THE BOARD OF GOVERNORS WILL CLEAR THE WAY FOR POTENTIAL DONORS WHICH HAVE ALREADY INDICATED THEIR INTENTION TO CONTRIBUTE TO PROCEED WITH THE INTERNAL STEPS NECESSARY TO MAKE THEIR CONTRIBUTIONS, WHILE NOT CLOSING OUT THOSE POTENTIAL DONORS WHICH NEED MORE TIME TO FORMULATE LIMITED OFFICIAL USE

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PAGE 03 MANILA 14602 02 OF 02 161027Z

THEIR FINAL POSITION.

12. THE BOARD OF DIRECTORS WOULD TAKE THIS OPPORTUNITY TO URGE ALL DEVELOPED MEMBER COUNTRIES TO CONSIDER, WHERE PRACTICABLE, THE POSSIBILITY OF CONTRUBUTING AMOUNTS BEYOND THESE NOW PROPOSED. THE TARGET AMOUNT OF US\$830 MILLION, EVEN IF FULLY REALIZED, IS MODEST IN RELATION TO THE NEEDS OF THE POOREST AND LEAST DEVELOPED OF THE RECIPIENT COUNTRIES. AT THE SAME TIME, IT IS RECOGNIZED THAT THE BANK MUST DO WHAT IT

CAN TO TAP OTHER SOURCES FOR FUNDS WHICH CAN BE
DEPLOYED FOR DEVELOPMENT, AND OVER THE COMING MONTHS
AND YEARS THE BANK WILL CONTINUE ITS EFFORTS IN THIS
REGARD.

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